

Message Text

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ACTION NEA-16

INFO OCT-01 EUR-25 IO-14 ISO-00 SEC-03 AID-20 CIAE-00

COME-00 EB-11 FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01 OMB-01

CEA-02 STR-08 DODE-00 PM-07 H-03 L-03 NSC-07 PA-04

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FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 4035

INFO AMEMBASSY BONN

USMISSION GENEVA

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TAGS: EFIN, IS

SUBJECT: ISRAELI CORPORATION - ROSENBAUM - INTERNATIONAL

CREDIT BANK CONTROVERSY

REF: TEL AVIV 5319 (NOTAL)

1. ACCORDING PRESS ACCOUNT SEP 30, PRIMIN RABIN REQUESTED FINMIN RABINOWITZ RETURN QUICKLY TO JERUSALEM FROM IMF/IBRD MEETINGS IN WASHINGTON IN CONNECTION WITH CONTROVERSY INVOLVING ISRAEL CORP, DR TIBOR ROSNEBAUM AND INTERNATIONAL CREDIT BANK OF GENEVA. MOST RECENT ACCOUNTS STEM FROM EMERGENCY MEETING OF ISRAEL CORPORATION'S (IC) BOARD OF DIRECTORS ON SEPTEMBER 27 AT IC CHAIRMAN BARON EDMOND DE ROTHSCHILD'S RESIDENCE IN PARIS. A COMMUNIQUE WAS REPORTEDLY ISSUED SAYING THAT BECAUSE OF COMMENTS AND RUMORS CONCERNING DEPOSITS MADE BY IC IN COMPANIES CONTROLLED BY ROSENBAUM, IC

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BOARD DECIDED TO PERFORM COMPREHENSIVE INQUIRY INTO ENTIRE

ISSUE. MOREOVER, IC BOARD MEMBER AND GENERAL MANAGER MICHAEL TSOR WAS RELIEVED OF HIS DUTIES IN ORDER TO ALLOW HIM TO DEVOTE FULL TIME TO ASSIST IN INQUIRY. TSOR ALSO RESIGNED AS CHAIRMAN OF BOARD ZIM SHIPPING CORP AND EXECUTIVE COMMITTEE OF THE ISRAEL PETROCHEMICAL ENTERPRISES.

2. THE ISRAEL CORPORATION, ISRAEL'S LARGEST INVESTMENT COMPANY, WAS ESTABLISHED IN 1968 AS RESULT OF JERUSALEM ECONOMIC CONFERENCE. IC'S PURPOSE TO ENCOURGE LARGE SCALE PRIVATE INVESTMENT IN ISRAEL AND TO RELIEVE THE GOVT OF PART OF ITS BURDEN OF FINANCING AND MANAGING LARGE DEVELOPMENT PROJECTS. IC SHAREHOLDERS REPORTEDLY INCLUDE SEVERAL PROMINENT JEWISH BUSINESS FIGURES, BOTH ABROAD AND IN ISRAEL, AS WELL AS ISRAEL'S THREE MAJOR BANKS. WHEN IT WAS ORGANIZED, THE IC WAS GRANTED UNPRECEDENTED TAX CONCESSIONS BY GOI. MOREOVER, IC HAS BEEN ALLOWED TO ACQUIRE, ON EASY TERMS, CHOICE PORTIONS OF GOI-CONTROLLED COMPANIES SUCH AS ONE-HALF OF THE ZIM SHIPPING CORP AND ONE-FOURTH OF THE HAIFA OIL REFINERIES. IC WAS INSTRUMENTAL IN FINANCING ZIM'S MODERNIZATION AND EXPANSION PROGRAM AS WELL AS CONSTRUCTION OF ASHDOD OIL REFINERY AND HAS PARTICIPATED IN SEVERAL SMALLER INDUSTRIAL VENTURES.

3. DR TIBOR ROSENBAUM, CENTRAL FIGURE IN CONTROVERSY, IS MAJOR SHAREHOLDER IN THE GENEVA-BASED INTERNATIONAL CREDIT BANK (ICB) AND HAS SUBSTANTIAL INVESTMENTS IN ISRAEL, ALTHOUGH HE HAS DIVESTED HIMSELF OF CERTAIN ISRAELI HOLDINGS, INCLUDING SHARES IN KUPAT AM BANK, ASHDOD DEVELOPMENT BANK AND INDUSTRIAL DEVELOPMENT BANK, OVER LAST FEW YEARS. HE STILL CONTROLS THE ATA (TEXTILES), LODZIA (HOSIERY AND KNITWEAR) AND OWNS ONE-HALF RAPAC (ELECTRONIC COMPONENTS) COMPANIES. ROSENBAUM ALSO HAS DOLS 1 MILLION WORTH OF ISRAEL CORPORATION STOCK AND AN INVESTMENT IN THE RECENTLY FOUNDED INTERNATIONAL CORPORATION FOR THE DEVELOPMENT OF ISRAEL (IC-2). ROSENBAUM'S ASSETS ARE HELD BY COMPANIES BASED IN VADUZ, LIECHTENSTEIN. ROSENBAUM AND TSOR HAVE BEEN CLOSE FRIENDS SINCE CHILDHOOD AND BUSINESS ASSOCIATES.

4. ROSENBAUM REPORTEDLY IN FINANCIAL TROUBLE AND IC IS CONCERNED LEST MONEY FROM ICB HAS BEEN TRANSFERRED TO ROSENBAUM'S LIMITED OFFICIAL USE

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PRIVATE COMPANIES IN LIECHTENSTEIN. THERE ARE REPORTS THAT HESSISCHE LANDESBANK IN WEST GERMANY (WHICH HOLDS 36 PERCENT OF THE ICB'S STOCK) IS ORGANIZING SUPPORT FOR ICB AND MAY TAKE OVER ROSENBAUM'S SHARES.

5. THE AMOUNT OF IC FUNDS ON DEPOSIT WITH ICB IS NOT KNOWN, BUT AT THE END OF 1973, THE IC HAD TOTAL OF IL 18 MILLION (DOLS 4.3 MILLION) IN BANK DEPOSITS. MOREOVER, IT IS REPORTED

THAT SUBSTANTIAL AMOUNT OF PROCEEDS FROM DOLS 20 MILLION SHARE
ISSUE IN JANUARY 74 WERE DEPOSITED WITH ICB. QUESTION OF
WHY IC DEPOSITED SO MUCH MONEY WITH ICB CERTAIN TO COME UNDER
INCREASING SCRUTINY.

6. ZIM SHIPPING COMPANY SPOKESMAN STATED SEPT 29 AND ZIM
HAD SHORT-TERM DEPOSIT IN ICB COVERED BY SECURITIES AND THAT
ZIM ALSO HAD DEBTS TO ICB WHICH THEY HOPED WOULD COVER
ANY POTENTIAL LOSS.

7. COMMENT: IF FINMIN RABINOWITZ HAS IN FACT BEEN RECALLED,
AS APPEARS LIKELY, IT MEANS THAT GOI IS INDEED CONCERNED ABOUT
THIS CASE. IT FOLLOWS CLOSELY ON HEELS OF IBB AFFAIR (REFTTEL),
FULL RAMIFICATIONS OF WHICH ARE STILL UNCLEAR, AND GOI WILL
TRY DOUBLY HARD TO MINIMIZE ITS LOSSES AND PREVENT FURTHER
DAMAGE TO GOOD NAME OF ISRAEL'S BANKING SYSTEM. (ACCORDING
TO PRESS ROSENBAUM HOLDS A LIBERIAN DIPLOMATIC PASSPORT AND
IS ACCREDITED AS LIBERIAN AMBASSADOR TO AUSTRIA.)
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